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FISCAL IMPACT STATEMENT

LS 6497

BILL NUMBER: HB 1207

NOTE PREPARED: Dec 23, 2003

BILL AMENDED:

SUBJECT: Wholesalers in Economic Revitalization Areas.

FIRST AUTHOR: Rep. Kuzman

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill allows a beer, wine, or liquor wholesaler to obtain a deduction for the redevelopment or rehabilitation of real property in areas designated as Economic Revitalization Areas.

Effective Date: Upon passage.

Explanation of State Expenditures: The state levies a one cent tax rate for State Fair and State Forestry. Any reduction in the assessed value base will reduce the property tax revenue for these two funds.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill removes the prohibition against beer, wine, and liquor wholesalers from receiving a property tax abatement for the redevelopment or rehabilitation of real property in areas designated as economic revitalization areas (ERA).

The Alcohol and Tobacco Commission (ATC) reports that it has issued permits for 26 wine wholesalers, 10 liquor wholesalers, and 46 beer wholesalers. However, data is unavailable relating to the potential future investment in real property by wholesalers in ERAs. If a wholesaler located in an ERA qualifies for the abatement and redevelops real property, the abatement would reduce any increase in the assessed value tax base and cause a shift of the property tax burden from the wholesaler receiving the exemption to all property taxpayers in the form of an increased tax rate. However, if the provision encourages wholesalers to redevelop and rehabilitate real property that would not have been improved absent this bill, the assessed value tax base

will increase after the abatement period and potentially reduce the property tax burden of other taxpayers.

As an abated value is gradually placed on the tax rolls, part of the property tax burden is shifted from all taxpayers to the owners of the abated property in the form of a reduced tax rate. The designating bodies of the ERA may allow a wholesaler to receive an abatement for up to ten years.

Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

This bill applies to property taxes due and payable beginning January 1, 2005.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Civil taxing units and school districts with economic revitalization areas.

Information Sources: Alcohol and Tobacco Commission.

Fiscal Analyst: John Parkey, 317-232-9854.